



Form 63-20-23
**Premium Excise Return for
Foreign Life Insurance Companies on
Life, Accident and Health Business**

2004
**Massachusetts
Department of
Revenue**

For calendar year 2004 or taxable year beginning

2004 and ending

Name of company

Federal Identification number



Mailing address

City/Town

State

Zip

Name of treasurer

Organized under the laws of

Has the federal government changed your taxable income for any prior year which has not yet been reported to Massachusetts? ☐ Yes ☐ No

Computation of Excise. Attach a copy of Schedule T of NAIC Annual Statement.

Income and Excise Before Credits

Use whole dollar method

| | | | | |
|---|-------------------------------------------------------------------------------------------|--------------------|-----|--|
| 1 | Taxable life premiums (from Premium Excise Calculation, line 7) | ► \$ _____ × .02 = | ► 1 | |
| 2 | Retaliatory computation (from Computation of Retaliatory Tax, col. a) | ► 2 | | |
| 3 | Applicable measure (enter the larger of line 1 or line 2) | ► 3 | | |
| 4 | Taxable accident and health premiums (from Premium Excise Calculation, line 12) | ► \$ _____ × .02 = | ► 4 | |
| 5 | Retaliatory computation (from Computation of Retaliatory Tax, col. b) | ► 5 | | |
| 6 | Applicable measure. Enter the larger of line 4 or line 5 | ► 6 | | |
| 7 | Credit recapture (attach Schedule H-2) | ► 7 | | |
| 8 | Excise before credits. Add lines 3, 6 and 7 | ► 8 | | |

Credits

| | | | |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|--|
| 9 | Enter 1.5% of company's capital contribution in excess of your full proportionate share in the Massachusetts life insurance company community investment initiative | ► 9 | |
| 10 | Enter 10% of Massachusetts Life and Health Insurance Guaranty Association assessment paid in the prior years. | ► 10 | |
| 11 | Economic Opportunity Area Credit (attach Schedule EOAC) | ► 11 | |
| 12 | Full Employment Credit (attach Schedule FEC). Do not claim here if claimed on Form 176-I | ► 12 | |
| 13 | Low-Income Housing Credit (enclose documentation). Do not claim here if claimed on Form 176-I | ► 13 | |

Excise After Credits

| | | | |
|----|----------------------------------------------------------------------------------------------------------------------------|------|--|
| 14 | Excise due before voluntary contribution. Subtract the total of lines 9 through 13 from line 8. Not less than "0". | ► 14 | |
| 15 | Voluntary contribution for endangered wildlife conservation | ► 15 | |
| 16 | Excise plus voluntary contribution. Add lines 14 and 15 | ► 16 | |

Payments

| | | | |
|----|-----------------------------------------------------------------------------------------|------|--|
| 17 | 2003 overpayment applied to 2004 estimated tax | ► 17 | |
| 18 | 2004 Massachusetts estimated tax payments. Do not include amount from line 17 | ► 18 | |
| 19 | Payments made with extension | ► 19 | |
| 20 | Total payments. Add lines 17 through 19 | ► 20 | |

Refund or Balance Due

| | | | |
|----|------------------------------------------------------------------------|------|--|
| 21 | Amount overpaid. Subtract line 16 from line 20. | ► 21 | |
| 22 | Amount overpaid to be credited to 2005 estimated tax | ► 22 | |
| 23 | Amount overpaid to be refunded. Subtract line 22 from line 21. | ► 23 | |
| 24 | Balance due. Subtract line 20 from line 16 | ► 24 | |
| 25 | M-2220 penalty ► \$ _____; other penalties ► \$ _____ Total penalty | ► 25 | |
| 26 | Interest on unpaid balance | ► 26 | |
| 27 | Total payment due at time of filing. | ► 27 | |

Declaration

Under the penalties of perjury, I declare that I have examined this return, including attachments, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which he/she has knowledge.

Signature of appropriate corporate officer (see instructions) Social Security number Telephone number Date

Individual or firm signature of preparer Employee Identification number Address Date



If you are signing as an authorized delegate of the appropriate corporate officer, check here ☐ and attach Mass. Form M-2848, Power of Attorney. The Privacy Act Notice is available upon request.

Make remittance payable to: **Commonwealth of Massachusetts.** Mail to: **Massachusetts Department of Revenue, PO Box 7052, Boston, MA 02204.**

Premium Excise Calculation
Life Premiums

Income

1 All new and renewal direct premiums for all policies of life insurance allocable to Massachusetts
2 Dividends applied to:
a Purchase paid-up additions
b Shorten premium paying period
3 Total gross direct premiums. Add lines 1, 2a and 2b.

Deductions

4 Returned premiums but not including cash surrender values
5 Dividends:
a Paid in cash
b Applied in reduction of renewal premiums
c Left to accumulate at interest
d Applied to purchase paid-up additions
e Applied to shorten premium paying period
6 Total deductions. Add lines 4 through 5e.

Taxable amount

7 Taxable amount. Subtract line 6 from line 3. Enter the result in line 1 in Computation of Excise.

Accident and Health Premiums

Income

8 Total net direct premiums for insurance of property or interests in Massachusetts

Deductions

9 Dividend deduction. Premiums returned or credited to policyholders as dividends (unabsorbed premium deposits) on direct business
10 Premium deduction. Gross premiums for authorized Preferred Provider arrangements.
11 Total deductions. Add lines 9 and 10.

Taxable amount

12 Taxable amount. Subtract line 11 from line 8. Enter the result in line 4 in Computation of Excise.
13 Are net direct premiums reported in line 8?
14 Have all dividends claimed as a deduction in line 9 been included as taxable premiums in line 4 on this return or on a previous Massachusetts return?

Computation of Retaliatory Tax

Use the space below to calculate your excise using the identical method and the same rate used by the state in which you are incorporated in taxing a like Massachusetts insurance company, or its agents, if doing business to the same extent. If the computation in the state of your incorporation is in every respect the same as your Massachusetts computation, a statement to that effect should be made.

Table with 2 columns: a. Life computation, b. Accident and health computation

Form 63-20-23 Instructions

Who Must File Form 63-20-23?

All classes of foreign life insurance companies on accident and health business subject to MGL Ch. 63, secs. 23, 24 and 24A must file Form 63-20-23.

All foreign life insurance companies subject to MGL Ch. 63, secs. 20, 21 and 24A must file Form 63-20-23.

A foreign company is any company organized or formed in any state or country other than Massachusetts.

When Must Form 63-20-23 be Filed?

Form 63-20-23, together with payment in full of any excise due, must be filed on or before the 15th day of the third month after the close of the company's taxable year.

May an Insurance Company Obtain an Extension of Time to File?

Yes. Form 63-20-23 filers may request a six-month extension of time to file by submitting Massachusetts Form 355-7004 Misc. on or before the original due date. Any tax due at the time of filing Form 355-7004 Misc. must be paid in full.

Note: An extension of time to file is not valid if the company fails to pay at least 50% of the total tax liability through estimated payments or using Form 355-7004 Misc.

What Are the Penalties for Late Returns?

Insurance excise returns that are not filed on or before the due date are subject to interest and penalty charges. The penalty for failure to pay the amount due with this form is $\frac{1}{2}\%$ of the balance due per month (or fraction thereof), up to a maximum of 25% of the tax reported as due on the return. A late payment penalty does not apply to amended returns when the amount shown on the original return was paid.

The penalty for failure to file a return by the due date is 1% of the balance due per month (or fraction thereof), up to a maximum of 25%.

Any tax not paid on or before the due date — without regard to the extension — is subject to interest.

What is a Valid Return?

A valid return is one upon which all required amounts have been entered in all appropriate items on the form. Applicable forms and documents may be attached to explain these amounts. Referencing items to attachments instead of properly entering all amounts onto the return is not sufficient. The return **must** be signed by either the treasurer or assistant treasurer of the company.

To be valid, a Form 63-20-23 must also include a copy of Schedule T, Exhibit of Premiums Written or Form 1 from the NAIC Annual Statement.

Reproduction of returns must be approved by DOR prior to filing and meet the criteria provided in Technical Information Release 95-8.

Failure to meet any of the requirements detailed in this section may result in a penalty for filing an insufficient return. Such a penalty may be assessed at double the amount of the tax due.

When are Estimated Tax Payments Required?

Any insurance company that reasonably estimates its excise to be in excess of \$1,000 for the taxable year is required to make estimated tax payments to the Commonwealth. Estimated taxes may be paid in full on or before the 15th day of the third month of the company's taxable year or in four installment payments according to the schedule

below. Insurance companies making estimated payments must use Form 355-ES to make their payments.

For taxable years ending on or after December 31, 1989, estimated tax installments are paid as follows:

| Installment no. | Pct. of estimated tax due | Due date from start of taxable year |
|-----------------|---------------------------|-------------------------------------|
| 1 | 40% | 15th day of 3rd month |
| 2 | 25% | 15th day of 6th month |
| 3 | 25% | 15th day of 9th month |
| 4 | 10% | 15th day of 12th month |

Note: New corporations in their first full taxable year with less than 10 employees have different estimated payment percentages — 30%, 25%, 25% and 20% respectively.

Special Optical Character Readable payment vouchers are mailed to all companies that have made estimated payments or should be making estimated payments. These special forms are easier to fill out and facilitate processing.

Insurance companies that underpay, or fail to pay, their estimated taxes may incur an additional penalty on the amount of the underpayment for the period of the underpayment. Form M-2220, Underpayment of Massachusetts Estimated Tax by Corporations, is used to compute the additional charge.

Any corporation having \$1 million or more of federal taxable income in any of its three preceding taxable years (as defined in Section 6655(g) of the Internal Revenue Code (IRC)) may only use its prior year's tax liability to calculate its first quarterly estimated tax payment. Any reduction in the first installment payment that results from using this method must be added to the second installment payment.

A company that claims the exception to the underpayment penalty of equaling the prior year's tax liability **must provide federal tax returns** (one page only) for the three preceding taxable years to verify that federal taxable income is less than \$1 million.

Note: Any insurance company required to file more than one type of excise return must also file separate estimated tax payment vouchers since each type of tax is governed by a different section of the Massachusetts General Laws.

For more information on corporate estimated taxes, refer to MGL, Chapter 63B.

How Is the Excise Determined?

Foreign Accident & Health insurance companies are taxed on net direct premiums for insurance of property or interest in Massachusetts.

Foreign life insurance companies are taxed on all new and renewal policies issued during the preceding calendar year if the insured is a resident of Massachusetts at the time the premium was paid.

Are Combined Returns Allowed?

No. Foreign insurance companies are not allowed to participate in filing combined returns.

Line Instructions

Registration Information

Enter the company's federal employer identification number and the state of incorporation next to the name and address of the company.

Should the Whole Dollar Method be Used?

Yes. All amounts must be rounded off to the nearest dollar.

Federal Audit

If your company has undergone a federal audit for some prior year, you must report any changes on Massachusetts Form CA-6, Application for Abatement/Amended Return, within three months after the final determination of the correct taxable income by the IRS. Otherwise, you will be subject to a penalty. Answering "yes" to this question does not relieve the company of this filing obligation.

Preferred Provider Deduction

An organization that has entered into a preferred provider arrangement and has been approved by the Commissioner of Insurance may deduct those premiums relating to preferred provider arrangements if they have been included in line 8 of Premium Excise Calculation in this return and reported on Form 176-I, Preferred Provider Gross Revenue Excise Return. These premiums are deducted on Premium Excise Calculation, line 10.

Computation of Excise

Line 1. Enter the amount of life premiums subject to tax in Massachusetts from Premium Excise Calculation, line 7. If amount is negative, enter "0."

Lines 2 and 5. Use the back of Form 63-20-23 to calculate your excise using the same method and rate used by the state in which you are incorporated and would be imposed on a like Massachusetts insurance company, or its agents, if doing business to the same extent. If the computation in the state of your incorporation is in every respect the same as your Massachusetts computation, a statement to that effect should be made. Retaliatory tax provisions are provided under MGL Chapter 63, Section 24A.

Line 4. Enter the amount of total net direct accident and health premiums subject to tax in Massachusetts from Premium Excise Calculation, line 12. If the amount is negative, enter "0."

Line 7: Recapture. If the corporation is required to recapture any amount of previously claimed EOA Credit or Low-Income Housing Credit, complete Schedule H-2 and enter the result in line 7 of the return. Current year credits can then be used to offset the total excise due which will include the recapture amount.

Line 9: Initiative credit. A company shall be allowed a credit against the premium tax equal to 1.5 percent of such company's total capital contribution in excess of their full proportionate share which shall mean an investment in the Massachusetts Life Insurance Company Community Investment Initiative.

This credit is effective for tax years in which the aggregate cumulative investment in the Massachusetts Life Insurance Community Investment Initiative reaches 100 million or the tax year 2004, whichever is later.

Line 10: Credit for member insurers of the Massachusetts Life and Health Insurance Guaranty Association. Enter 10% of the assessment for each of five years following the year in which the assessment was paid. If the sum of offsets exceeds \$3,000,000, the excess may be carried forward and may be used in a year in which the \$3,000,000 is **not** exceeded. If the total offsets exceed \$3,000,000 in a year, the Department of Revenue will assess each member with an additional tax equal to the amount of the offset which exceeds

\$3,000,000 of such members pro rata share. If the total offsets do not exceed \$3,000,000 in a year, the Department of Revenue will calculate each members' pro rata share to determine the amount of refund due each member and issue a refund to each member.

Line 11. Economic Opportunity Area Credit. Enter the amount of Economic Opportunity Area credit claimed this year from Schedule EOA, line 9. Attach a completed Schedule EOAC to this return. For more information, contact the Massachusetts Office of Business Development at One Ashburton Place, Room 2101, Boston, MA 02108.

Line 12. Full Employment Program Credit. A qualified employer participating in the Full Employment Program may claim a credit of \$100 per month of eligible employment per employee. The maximum amount of credit that may be applied in all taxable years with respect to each employee is \$1,200. Attach Schedule FEC to this return. For more information, contact the Department of Transitional Assistance, 600 Washington Street, Boston, MA 02111.

Line 13: Low-Income Housing Credit. To claim the Low-Income Housing credit, documentation must be completed and enclosed with the return. For further information on this credit, contact the DHCD, Division of Private Housing, at (617) 727-7824.

Line 15. Any corporation that wishes to contribute any amount to the Natural Heritage and Endangered Species Fund may do so on his form. This amount is added to the excise due. It increases the amount of the corporation's payment or reduces the amount of its refund.

The Natural Heritage and Endangered Species Fund is administered by the Department of Fisheries, Wildlife and Environment Law Enforcement to provide for conservation programs for rare, endangered and nongame wildlife and plants in the Commonwealth.

Line 24. If line 16 is larger than line 20, enter the balance due in line 24. Payment in full is due on or before March 15, 2005.

Line 25. Any company that has an underpayment of estimated tax will incur a penalty on the underpayment for the period of the underpayment. Attach a copy of Form M-2220. For more information, refer to the section, "When Are Estimated Tax Payments Required?"

Any company that fails to file a timely return will be subject to a late filing penalty of 1% per month, or fraction thereof, and a late payment penalty of ½% per month, or fraction thereof, on the amount required to be shown as the tax due on the return. For more information, refer to the section, "What Are the Penalties for Late Returns?"

Line 26. Any company that fails to pay its tax when due will be subject to interest on the unpaid balance. For more information, refer to the section, "What Are the Penalties for Late Returns?"

Line 27. Enter the total payment due. Checks for this amount should be made payable to the **Commonwealth of Massachusetts**. Checks should have the company's federal identification number written in the lower left corner.

Signature

When the form is complete, it must be signed by the treasurer or assistant treasurer. If you are signing as an authorized delegate of the appropriate corporate officer, check the box in the signature section and attach a Massachusetts Form M-2848, Power of Attorney. The form should be mailed to: **Massachusetts Department of Revenue, PO Box 7052, Boston, MA 02204.**